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GREB

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GREB INDUSTRIES LIMITED / ANNUAL REPORT 1971



officers

Harry D. Greb,
President

Charles E. Greb,
Executive Vice-President

John D. Campbell,
Vice-President, Marketing

Ross E. Hahn,
Vice-President, Manufacturing

Arnold C. Austen, C.A.,
Vice-President, Finance

Arthur C. Greb,
Secretary

George A. Klugman,
Treasurer

directors

Arnold C. Austen, C.A.

John D. Campbell

Arthur C. Greb

Charles E. Greb

Harry D. Greb

Ross E. Hahn

Roland A. Harris, O.B.E.

Carl F. Ritz, F.S.A.

David C. H. Stanley

HEAD OFFICE

51 Ardelt Avenue,
Kitchener, Ontario

TRANSFER AGENT & REGISTRAR

Canada Permanent Trust Company

AUDITORS

Thorne, Gunn, Helliwell & Christenson

ANNUAL MEETING

The annual meeting of shareholders will be held at the head office of the Company, 51 Ardelt Avenue, Kitchener, Ontario, at 2:00 p.m. E.S.T. on March 16, 1972.

CONTENTS

	Page
Highlights of the Year	2
President's Report	3
Consolidated Financial Statements	4
Auditors' Report	8
Ten Year Operating and Financial Review	9
Operating Progress	10

highlights of the year

OPERATING RESULTS

	<u>1971</u>	<u>1970</u>
<i>Fiscal Years Ended</i>	October 30	October 31
Net income	\$ 469,063	\$ 476,525
Per share — Class C and common .....	.65	.67
Dividends declared — Class C and common	148,970	144,470
Per share (i) .....	.24	.24

FINANCIAL POSITION

At year ends

Working Capital	\$4,581,304	\$4,591,618
Current ratio	1.50	1.57
Shareholders' equity — Class C and common	5,362,698	5,083,355
Per share	7.96	7.54

OTHER DATA

At year ends

Number of shares outstanding — Class C and common	673,835	673,835
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(i) Stock dividends declared on the Class C shares are equivalent to the cash dividends declared on the common shares after consideration of the 15% tax paid by the Company on undistributed income.

to our shareholders



The 1971 fiscal year was one of contrasts for your company. Order demand for the Greb product range was soft until the fourth quarter whereas demand for our Bauer products was strong throughout the year to the point where we were unable to increase our production fast enough to satisfy the demand. As a result, our net profit, which was considerably below average for each of the first three quarters of the year, finally rose for the fourth quarter to the highest level we have experienced since 1968.

Net sales for our fiscal year ended October 30, 1971 were 6.7% above the previous year to a new company record of \$22,613,233. Net income after taxes for the 1971 fiscal year of \$469,063 was 1.6% below the previous year.

Although net earnings for 1971 were \$7,462 below 1970, these figures are after absorbing non regular operating expenditures of \$163,945 compared to \$24,398 in the previous year. The 1971 non regular operating expenditure was the highest in the company's history and, as previously reported, was expended mainly on the following major projects: relocation of our skate blade manufacturing plant and a portion of our

Bauer outfit manufacturing facility to increase productive capacity; and consulting fees to improve our forecasting, scheduling and inventory control systems. There were also significant indirect costs attributable to these projects which were absorbed in our regular operating accounts. Benefit from these changes will be felt in our current year, while our 1972 expenditure for non regular operating costs has been budgeted at a more normal level.

Net earnings per Class C and common share for 1971 were 65¢, after provision for preference share dividends, compared to 67¢ in the previous year.

Investment in plant, machinery and equipment during the year amounted to \$549,000 net, compared with \$282,000 last year. Of this 1971 total, \$173,000 was invested in land and buildings, \$275,000 in manufacturing machinery, dies and lasts, and \$101,000 in transportation, warehouse and office equipment. The land and buildings expenditure covered mainly alterations to an owned building to accommodate the relocation of our skate blade manufacturing plant and the purchase of a 28,000 square foot existing building in Kitchener to centralize our raw material warehousing.

Our operating results during the period since the 1971 year end are continuing the favourable trend established in the fourth quarter, with both sales and earnings running at a higher level.

A more detailed review of the year will be found elsewhere in this report, along with comments on significant developments in our major operating areas.

We are grateful for the loyalty and support during the past year of our management team, employees, customers, suppliers and shareholders.

Kitchener, Ontario
January 31, 1972

A handwritten signature in black ink, appearing to read "Harry D. Greb".

Harry D. Greb
President

Greb Industries Limited and

CONSOLIDATED STATEMENT OF INCOME

Year ended October 30, 1971
 (with comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
Net sales	\$22,613,233	\$21,187,833
Income before undernoted items	2,009,644	1,872,402
Aggregate direct remuneration of directors and senior officers (as defined by The Business Corporations Act, 1970)	193,940	188,770
Depreciation	442,970	412,227
Interest on long term debt	215,625	229,382
Other expenses – not regular operating costs	163,945	24,398
	1,016,480	854,777
Income before income taxes	993,164	1,017,625
Income taxes		
Current	518,687	552,793
Deferred (reduction)	5,414	(11,693)
	524,101	541,100
Net income for the year	\$ 469,063	\$ 476,525
Net income per share, after provision for preference dividends	65¢	67¢

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended October 30, 1971
 (with comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
Balance at beginning of year	\$ 3,086,855	\$ 2,804,550
Net income for the year	469,063	476,525
	3,555,918	3,281,075
Deduct		
Cash dividends		
Class A preference shares	28,000	28,000
Class C shares	35,000	5,000
Common shares	41,720	41,720
	104,720	74,720
Stock dividends of 361,250 (488,750 in 1970) Class B shares on Class C shares	72,250	97,750
	176,970	172,470
Tax paid on undistributed income	12,750	21,750
	189,720	194,220
Balance at end of year	\$ 3,366,198	\$ 3,086,855

subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended October 30, 1971
 (with comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
SOURCE OF FUNDS		
Operations		
Net income for the year	\$ 469,063	\$ 476,525
Items not involving current funds		
Depreciation	442,970	412,227
Deferred income taxes	5,414	(11,693)
	<u>917,447</u>	<u>877,059</u>
Sale of fixed assets	16,628	8,723
Increase in insurance policy loans		
	<u>934,075</u>	<u>899,206</u>
APPLICATION OF FUNDS		
Additions to fixed assets	566,078	290,431
Dividends	176,970	172,470
Principal on long term debt, reclassified under current liabilities...	179,000	179,000
Tax paid on undistributed income	12,750	21,750
Increase in life insurance, cash surrender value	9,591	7,510
	<u>944,389</u>	<u>671,161</u>
INCREASE (DECREASE) IN WORKING CAPITAL		
Working capital at beginning of year	(10,314)	228,045
Working capital at end of year	<u>\$ 4,581,304</u>	<u>\$ 4,591,618</u>

Greb Industries Limited and

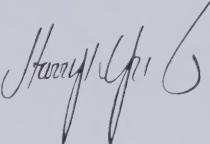
(Incorporated under the laws of Ontario)

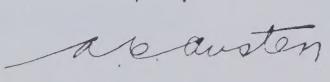
CONSOLIDATED BALANCE SHEET — OCTOBER 30, 1971

(with comparative figures at October 31, 1970)

ASSETS	<u>1971</u>	<u>1970</u>
CURRENT ASSETS		
Accounts receivable	\$ 7,253,310	\$ 6,671,330
Inventories		
Raw materials, at the lower of cost and replacement cost	1,936,186	1,670,839
Work in process, at the lower of cost and net realizable value	689,201	564,876
Finished goods, at the lower of cost and net realizable value	3,772,083	3,642,721
Prepaid expenses	184,012	116,127
	<u>13,834,792</u>	<u>12,665,893</u>
OTHER ASSETS		
Life insurance, cash surrender value, less policy loans of \$158,263 (in 1971 and 1970)	32,011	22,420
Investment in subsidiary company, at cost (note 1)	51,055	51,055
	<u>83,066</u>	<u>73,475</u>
FIXED ASSETS, at cost		
Land	205,929	194,932
Buildings	3,095,895	2,951,827
Machinery and equipment	2,914,664	2,694,772
Dies, lasts, patterns and moulds	365,024	856,700
	<u>6,581,512</u>	<u>6,698,231</u>
Less accumulated depreciation	2,621,330	2,844,529
	<u>3,960,182</u>	<u>3,853,702</u>
	<u>\$17,878,040</u>	<u>\$16,593,070</u>

Approved by the Board


Director


Director

subsidiary companies

LIABILITIES	<u>1971</u>	<u>1970</u>
CURRENT LIABILITIES		
Bank advances, against which receivables and inventories have been pledged	\$ 7,048,080	\$ 5,995,458
Accounts payable and accrued liabilities	1,747,613	1,622,081
Income and other taxes payable	242,865	241,806
Dividends payable	35,930	35,930
Principal due within one year on long term debt	179,000	179,000
	<u>9,253,488</u>	<u>8,074,275</u>
LONG TERM DEBT (note 2)	<u>2,351,000</u>	<u>2,530,000</u>
DEFERRED INCOME TAXES	<u>350,854</u>	<u>345,440</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 3)	2,556,500	2,556,500
Retained earnings	3,366,198	3,086,855
	<u>5,922,698</u>	<u>5,643,355</u>
COMMITMENTS (note 4)	<u><u>\$17,878,040</u></u>	<u><u>\$16,593,070</u></u>

Greb industries limited and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended October 30, 1971

1. SUBSIDIARY COMPANIES AND BASIS OF CONSOLIDATION

The subsidiary companies consolidated in these financial statements are Greb Shoes Limited, Greb Realty Limited, The Western Shoe Company Limited, The Canada Skate Manufacturing Company Limited, Bauer Canadian Skate, Inc., The Tebbutt Shoe and Leather Company (Limited) and Collins Safety Shoes Limited.

The accounts of Bauer Canadian Skate, Inc. have been converted into Canadian currency on the following basis: current assets, liabilities and operating accounts except depreciation, at a rate of exchange of \$1.00 (\$1.02 in 1970) and fixed assets and depreciation, at par of exchange.

As in prior years, the accounts of Metro Marine Limited, a controlled company, are not consolidated because its operations are dissimilar. The company's proportion of the net income of Metro Marine Limited for the year ended December 31, 1970 amounted to \$2,394 and the accumulated net income since acquisition, which amounted to \$18,879, is not reflected in the company's financial statements.

2. LONG TERM DEBT

	1971	1970
6 3/4 % Secured sinking fund debentures, Series A, maturing November 15, 1981	\$ 690,000	\$ 752,000
7% Secured sinking fund debentures, Series B, maturing November 15, 1981	490,000	532,000
9% Secured sinking fund debentures, Series C, maturing May 15, 1989	1,350,000	1,425,000
	<u>2,530,000</u>	<u>2,709,000</u>
Less principal included in current liabilities	179,000	179,000
	<u>\$ 2,351,000</u>	<u>\$ 2,530,000</u>

Under provisions of the debenture trust deed and supplementary debenture trust deeds, the company is obligated to set aside amounts sufficient to retire out of sinking fund moneys, \$62,000 principal amount of Series A debentures and \$42,000 principal amount of Series B debentures, on November 15 in each year up to and including 1980 and \$75,000 principal amount of Series C debentures on May 15 in each year up to and including 1988.

AUDITORS' REPORT

To the Shareholders of Greb Industries Limited

We have examined the consolidated balance sheet of Greb Industries Limited and subsidiary companies as at October 30, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 30, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kitchener, Ontario
December 30, 1971

Thorne, Gunn, Helliwell & Christensen
Chartered Accountants

subsidiary companies

10 YEAR CONSOLIDATED OPERATING AND FINANCIAL REVIEW

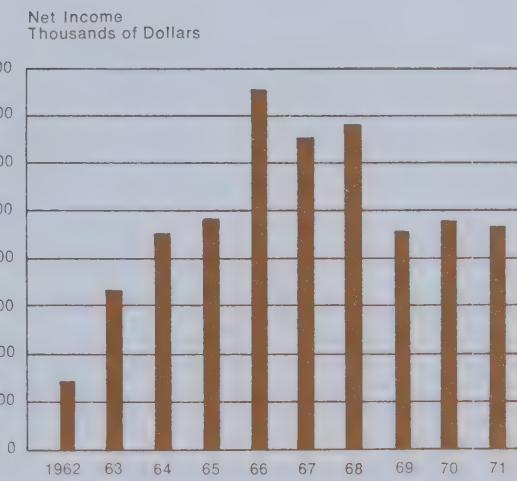
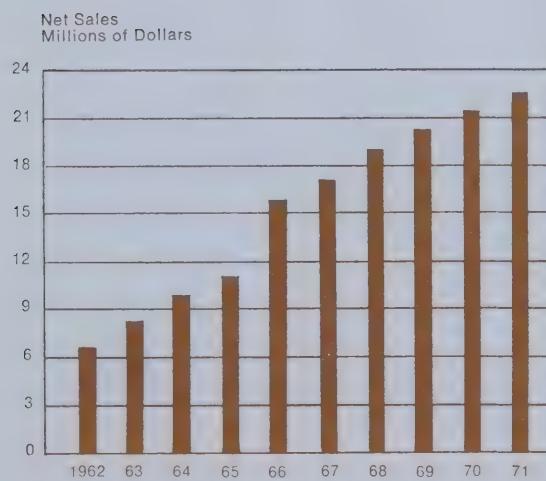
Figures in thousands except per share data

Years ended	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
OPERATING RESULTS										
Net sales	\$22,613	\$21,188	\$20,483	\$18,795	\$17,363	\$16,193	\$11,230	\$ 9,913	\$ 8,643	\$ 6,303
Income before undenoted items ..	1,816	1,684	1,583	1,859	1,727	1,833	1,181	1,096	784	446
Depreciation	443	412	389	315	266	223	118	83	71	112
Interest on long term debt	216	229	146	112	116	122	81	85	22	17
Non regular operating expenses (income)	164	25	97	36	45	(21)	42	3	78	69
Income taxes	524	541	486	729	656	766	462	474	285	111
Net income	469	477	465	667	644	743	478	451	328	137
Total dividends declared	177	172	320	320	318	233	46	46	27	2
FINANCIAL POSITION AT YEAR END										
Working capital	\$ 4,581	\$ 4,592	\$ 4,364	\$ 3,331	\$ 3,801	\$ 4,060	\$ 2,958	\$ 1,648	\$ 1,568	\$ 307
Current ratio	1.50	1.57	1.55	1.45	1.60	1.82	1.62	1.70	1.83	1.14
Fixed assets (net)	3,960	3,854	3,984	3,603	2,773	2,169	1,379	907	570	536
Long term debt	2,351	2,530	2,709	1,388	1,492	1,596	1,700	1,154	1,154	258
Shareholders' equity — Class C and common	5,363	5,083	4,801	4,742	4,509	4,117	2,172	1,144	740	438
Shares outstanding — Class C and common	674	674	674	674	674	674	539	505	505	505
PER SHARE IN DOLLARS — CLASS C AND COMMON										
Net income	\$.65	\$.67	\$.65	\$.95	\$.91	\$ 1.06	\$.85	\$.85	\$.65	\$.27
Dividends declared .....	.24	.24	.48	.48	.48	.33½	.05	.05	.05	.05
Shareholders' equity	7.96	7.54	7.12	7.04	6.69	6.11	4.03	2.27	1.47	.86

The above 10 year review includes -

The following companies from date of acquisition — The Western Shoe Company Limited, The Canada Skate Manufacturing Company Limited and Bauer Canadian Skate, Inc. as of October 29, 1965, The Tebbutt Shoe and Leather Company (Limited) as of October 31, 1966, and Collins Safety Shoes Limited as of June 18, 1969.

Adjustment of shares outstanding to reflect a capital stock subdivision and reclassification into Class C and common on February 18, 1966.



operating progress

Hush Puppies

The Company's principal product group, "Hush Puppies", maintained its position in 1971 as the largest-volume casual shoe brand in the Canadian footwear industry. Although total pairage sales declined compared with the previous year, it is believed this decline is not due to any waning popularity for this brand, but rather to confusion in the minds of consumers and retailers alike between the appeal of traditional "Hush Puppies" and the attraction of new Seventies styling in casual wearing apparel. Even though the familiar styles of "Hush Puppies" — some of which have been in the line for several years — still account for a major

volume of sales, it became clear during the year that the more colourful, bolder-line styles drew the interest of the younger age groups.

Therefore product styling for 1972 will feature a broad range of new colour and design treatments departing dramatically from accepted "Hush Puppies" appearance and deliberately aimed at the 16-25 age group, broadly speaking. These "New Generation" Hush Puppies will be unveiled to consumers in Spring '72 through a strong television campaign, employing such expressions as "Get your head into Hush Puppies" and contemporary music. Initial retailer response to these new styles and the promotion program has been enthusiastic.





As forecast, the Bauer skate division achieved vigorous sales growth again this year. The only limiting factor was the ability of our productive capacity to meet the increased consumer demand which reached record levels in the U.S. market. Both our skate blade and boot manufacturing plants were expanded during the year in order to fully capitalize on this growth in the future. Bauer continued to work closely with all teams in the National Hockey League, where at least half the players wear our skates. Bauer is "the official skate of the National Hockey League".

By year's end, Bauer's continuing program of

product development had produced three new advances in skate design to be incorporated in the '72 range. At the top end of the line, a new Bauer "Supreme" model has been developed with synthetic components replacing leather, which results in a weight-saving of up to ten ounces per pair — a significant factor to professional hockey players. The first functional advance in goal-keepers' skates in many years has been achieved with the introduction of a high-impact shell and re-designed interior boot. And another innovation — with revolutionary possibilities throughout the entire range of Bauer skates — is the new adhering tab closure system to replace conventional laces. This sys-



tem permits the wearer to readily select the desired foot comfort-pressure at any of the tabs, and offers parents a fast-on, fast-off method for their youngsters' skates.

Bauer continued to expand its activities in other areas of sport during '71, most notably with the introduction of the "Duguid" line of curling shoes, developed exclusively by Bauer in co-operation with world curling great, Don Duguid. Acceptance by curlers, in this initial season, has been enthusiastic and volume sales are anticipated next season as the popularity of this unique shoe spreads in both Canada and the U.S.A.

PAGANOS

During its introductory year, this line of men's dress shoes in the middle price range received an indecisive reception from the retail trade and consumers. Another year of promotion for this line, against admittedly strong competition from imports, should indicate future prospects. The line has been strengthened by the addition of seven styles which contrast interestingly with the Continental styling of the original group.

andré

New developments in this electronic-vinyl process by the licensing company, Chaussures

André of France, and our ability to digest them, have caused a delay in production for the Canadian market. Test marketing for these shoes through a major retailer is now scheduled for late Spring '72. The André process remains in the forefront of world-wide developments in this type of shoe-upper manufacturing, and the delay permits Greb to adopt the latest techniques and as a result offer a superior product.

KODIAK

Although this famous name has not shared in the volatile success and glamour of some other Greb lines, boots manufactured under this label continue to contribute a substantial share of total sales.

The Kodiak vulcanized range of footwear, which includes the waterproof sportsmen's boot, sold in Canada and the United States, as well as other traditional processes, secured a good sales growth in 1971.

During the year a substantial government contract was received for a new version "combat boot" for the Canadian Armed Forces. This contract, produced in our vulcanizing plant, was 80% complete by the end of the fiscal year.

Greb continues to produce a large share of all steel-toe "safety" shoes and boots sold in Canada, and this market is expanding at an encouraging rate as industry pursues more safety-conscious policies.

